

**Minutes of Regional State Committee (RSC) for the Southwest Power Pool (SPP)
Meeting on April 26, 2004¹**

The first organizational meeting of the Southwest Power Pool (SPP) Regional State Committee (RSC) came to order at 2:10 p.m. on April 26, 2004.

Attendance

State Commission Members:

Chairman Sandra Hochstetter, Arkansas Public Service Commission
Commissioner Randy Bynum, Arkansas Public Service Commission
Chairman Brian Moline, Kansas Corporation Commission
Commissioner John Wine, Kansas Corporation Commission (by telephone)
Chairman Steve Gaw, Missouri Public Service Commission
Commissioner David King, New Mexico Public Regulation Commission
Chairman Denise Bode, Oklahoma Corporation Commission
Commissioner Jeff Cloud, Oklahoma Corporation Commission
Commissioner Julie Parsley, Texas Public Utility Commission

Others in attendance:

Richard House, Staff with the Arkansas Public Service Commission
Sam Loudenslager, Staff with the Arkansas Public Service Commission (by telephone)
Don Low, Staff with the Kansas Corporation Commission
Mike Peters, Staff with the Kansas Corporation Commission
Larry Hollaway, Staff with the Kansas Corporation Commission (by telephone)
Tom DeBaun, Staff with the Kansas Corporation Commission (by telephone)
John Bell, Staff with the Kansas Corporation Commission (by telephone)
Walter Wolf, outside counsel for Louisiana Public Service Commission
Mike Proctor, Staff with the Missouri Public Service Commission
Steve Johnson, Staff with the Missouri Public Service Commission (by telephone)
Bob Vandewater, aide to Commissioner Jeff Cloud, Oklahoma Corporation Commission
Joyce Davidson, Staff with the Oklahoma Corporation Commission
Kelli Leaf, Staff with the Oklahoma Corporation Commission
Gary Walker, Staff with the Oklahoma Corporation Commission
Tom Dunn, SPP
Stacey Duncan, SPP
Les Dillahunty, SPP
Joshua Martin, SPP
Phyllis Bernard, SPP
Dick Brown, SPP
Carl Monroe, SPP
Rita Hejny, Court Reporter
David Fleischaker, Secretary of Energy, State of Oklahoma
Dan Share (phonetically), Arkansas representative
Jimmy Crosslin

¹ These Minutes were compiled from the transcript take by Rita D. Hejny, C.S.R. (Attachment A)

Doug Henry, West Star Energy
Tom Stuchlik, West Star Energy
Tracey Hannon, Southwestern Power Administration
Walt Shumate, consultant
James (inaudible) with Sleeping Bear, L.L.C.
Mel Perkins, Oklahoma Gas & Electric Company
David Cays, Oklahoma Gas & Electric Company
Bob Koenig, Oklahoma Gas & Electric Company
Hal Strecker, Oklahoma Gas & Electric Company
Don Gunnish, Oklahoma Gas & Electric Company
Owen Decker, Oklahoma Electric Power
Jim Stanton, Calpine Corporation
Tony Ingram, BRC
Debra Thompson, Energetix, L.L.C.
Ray Mise, Energetix, L.L.C.
Adam Wilmoth, Daily Oklahoman
Janis Smith, the Journal Record
Steve Owen, Entergy
Terry Gallup, AEP
Tim Hochstetter, AEP
Tiffini Lyder with PSO

Designation of Members to the RSC Board

For Arkansas, Chairman Sandra Hochstetter was designated as the representative, and Commissioner Randy Bynum was designated as the alternate. For Kansas, Chairman Brian Moline was designated as the representative, and the alternative is to be designated at a later date. For Missouri, Chairman Steve Gaw was designated as the representative, and the alternative is to be designated at a later date. For New Mexico, Chairman David King was designated as the representative, and Chairman King noted that Commissioner Hughes will probably be the alternate. For Oklahoma, Chairman Denise Bode was designated as the representative, and Commissioner Jeff Cloud was designated as the alternate. For Texas, Commissioner Julie Parsley was designated as the representative, and the alternative is to be designated at a later date.² Walter Wolf noted that the Louisiana Public Service Commission has not designated a Commissioner to serve on the RSC Board.

Chairman Denise Bode moved that the Board members be adopted on behalf of the incorporators. Commissioner David King seconded. All voted aye.

Bylaws

Chairman Sandra Hochstetter noted the efforts of all involved in developing the proposed Bylaws. The latest draft of the Bylaws is dated April 7.

² Commissioner Barry Smitherman was subsequently designated as the alternate for Texas.

Chairman Sandra Hochstetter moved that the April 7 version of the Bylaws be adopted as the official set of Bylaws. Chairman Denise Bode seconded. All voted aye.

Election of Officers

President: Chairman Sandra Hochstetter moved to nominate Chairman Denise Bode as President of the RSC Board of Directors. Chairman Brian Moline moved that the nomination be closed. All voted aye.

Vice President: President Denise Bode moved to nominate Chairman Sandra Hochstetter as Vice-President of the RSC Board of Directors. Chairman Brian Moline seconded. Chairman Steve Gaw moved that the nominations cease and that Madam Chair Sandra Hochstetter be elected by acclamation. There were no objections.

Secretary: Commissioner David King nominated Commissioner Julie Parsley for secretary. President Bode seconded. All voted aye.

Treasurer: Secretary Julie Parsley nominated Commissioner David King for Treasurer. Chairman Brian Moline seconded. All voted aye.

Incorporation of Business Prior to the Elections into Minutes

Vice President Hochstetter moved to incorporate all of the business done (such as naming the Board, the Bylaws, and the officer elections) into minutes of the record. Board Member Steve Gaw seconded. No discussion. All voted aye.

Budget and Funding

Secretary Julie Parsley moved to direct the Treasurer to propose a two-year budget that will be presented at the next Board Meeting for adoption by the Board. Vice-President Hochstetter seconded. No discussion. All voted aye.

Secretary Julie Parsley moved to direct the Treasurer to produce a proposal for funding for the RSC to be presented at the next Board Meeting for adoption by the Board. Vice-President Hochstetter seconded. No discussion. All voted aye.

Board Member Brian Moline moved to direct the Treasurer to investigate opening bank accounts as needed and to make appropriate proposals at the next Board Meeting. Vice-President Hochstetter seconded. No discussion. All voted aye.

New and Old Business

Cost Benefit Study (CBS)

Staff Sam Loudenslager provided a Cost Benefit Task Force (CBTF) report and advised that the CBTF is completing work on developing the request for proposal (RFP) for the CBS. A draft was circulated last week and the next steps involve action by the Board of Directors and a recommendation by the SPP Strategic Planning Committee to authorize funding for the CBS.

Vice-President Hochstetter raised the concern of the appropriate entity to contract with the consultant to perform the CBS and the need for a funding mechanism. Nick Brown with SPP reported that funding for the CBS was discussed at the Strategic Planning Committee meeting last week and it was indicated by a couple of representatives from the states that there was an interest in the states funding the CBS as opposed to SPP funding it from a perception of independence view. Mr. Brown noted that whether SPP is the contracting entity is not an issue to SPP. Mr. Brown reported that SPP is in the process of agreeing to fund the study, and there is no problem if the RSC desires to be the contracting party. Mr. Brown noted that funding of RSC activities is pursuant to a budget and the SPP Board will need to act on that budget to channel funds to RSC accounts.

Vice-President Hochstetter raised a concern that the budget may take a longer period of time than the RFP since the RFP process is moving at a fast pace. Mr. Brown responded that if the SPP Board takes action tomorrow, funds would be immediately available and he is prepared to recommend that the SPP Board authorize advance release of funds into an account so that the RSC could then be the contracting entity.

President Bode reiterated the issue raised at the last conference call that individual states utilizing the plan might give a higher level of validity and expedite the process if the RSC contracts for the study because the RSC utilizes membership of the various states. Mr. Brown agreed and noted that the whole purpose of the CBS is to meet individual state requirements, so if the states prefer to be the contracting entity, then he has no issue with that.

Vice-President Hochstetter then explained the CBS, noting that others may not have been involved in the prior discussions. Vice-President Hochstetter noted that a few months ago the states started discussions about the most effective, efficient and feasible way to move forward in evaluating all the respective utilities' membership in the SPP RTO from a net public interest standpoint. Different states have different statutory requirements to find transfer of ownership or control of transmission assets to be in the public interest. For example, Missouri must show no net harm, or a neutral effect, while Arkansas, New Mexico, Kansas, and Louisiana must prove a net benefit. An analogy was raised as to what the southeastern regulatory states (SEARUC) did about a year and a half ago hiring a national consulting firm, Charles River Associates, to perform a regional CBS. The benefit was one regional CBS that looked at the regional costs and benefits and then broke it down by state and by utility, and the costs were shared. Collectively the RSC

states agreed to launch a working group to work with the SPP and the member utilities to put together a RFP.

Mike Cosell with AEP highlighted the difference that the SEARUC entities engaged Charles Rivers because there wasn't an independent entity like SPP at the time. Mr. Cosell also advised that the Louisiana Public Service Commission has informally advised them that SPP's CBS may not be sufficient to satisfy its orders, and he questioned whether AEP would be able to get the results of the study and the models so that they could perform the extra step that Louisiana may require. Mr. Cosell noted that Louisiana had not entered an official order to that effect, but Mr. Wolf confirmed that the multi-state survey may not fulfill the standing orders with the Louisiana Public Service Commission for cost benefit analysis. Mr. Wolf agreed with President Bode that it would be a possibility for the Louisiana Public Service Commission to work with the consultant to include information so that the CBS could meet Louisiana's requirements and every state could use the CBS. Mr. Wolf agreed to get back with the working group with Louisiana's requirements to see if they could be included in the RFP. Mr. Wolf noted that he is the primary conduit back to the Louisiana staff and there is not any other member working with the CBTF. In response to Vice-President Hochstetter, Mr. Wolf agreed to arrange for Louisiana staff to attend some of the CBTF conferences. Mr. Sam Laoudenslager agreed to do what he could to make sure the RFP includes the issues that Louisiana is concerned with and agreed to report back to the RSC Board if there are things that the RSC needs to address.

Mr. Sam Loudenslager reported on the RFP timeline. Mr. Loudenslager requested that the states provide input within seven days, or by May 3. Mr. Loudenslager is anticipating four months to complete the project once the contract has been let, so the results of the CBS should be available around September.

President Bode requested that Mr. Walter Wolf engage the Louisiana staff in talks with Arkansas and its staff and the other CBTF members, and Mr. Wolf agreed to do what he could to help. President Bode offered to teleconference with the Louisiana Public Service Commission to work through issues, and noted that it would be best to minimize costs by not requiring different studies for each state.

Treasurer King reiterated that he would work with Mr. Brown to make specific arrangements on the bank accounts, and get the process started if an advance is necessary. Mr. Brown offered to work with the Chair of the SPP Strategic Planning Committee, Richard Spring, who would be making recommendations to the SPP Board at the meeting tomorrow for the approval of the concept of setting up an advance to get the CBS contract let.

Transmission Upgrade and Expansion and Cost Allocation for the SPP

Ms. Joyce Davidson passed out a draft that the Oklahoma Corporation Commission prepared that took some of the principles and converted them into more general statements. Mr. Mike Proctor led the working group on preparing explanations of five of

the nine principles. The first three principles deal with equity. Mr. Proctor discussed the principles.

- The first principle is that the cost allocation policy should reflect that cost causers should be cost bearers, and he who benefits should pay.
- The second principle is that the cost allocation of the transmission service should not result in the cost causer being required to pay for more than is received in transmission benefit.
- The third principle is that transmission access pricing and transmission service allocation, whether physical or financial, should when combined, reflect the principles that there are no free riders, and that similar transmission service is allocated and priced indiscriminately.
- The fourth principle is related to reliability. Each transmission owner should fund and recover the approved costs of transmission projects to meet the SPP reliability standards, replace obsolete facilities, and meet growth in demand.
- The fifth principle is allocation, and it states that transmission expansion projects resulting from the RTO plan that are intended to provide economic benefits may be allocated to single or multiple transmission customers and/or zones or the entire region based on the RTO's estimate of the distribution of the benefits. This recognizes a distinction between projects that are funded for reliability and projects that are funded for economic purposes.

Mr. Proctor reported that the additional four principles are a work-in-progress. This is a living document that is intended to go to Less Dillahunty and the SPP as part of their process. President Bode noted that this document was prepared by a joint working group to be a starting point for the May 5 symposium. President Bode noted that the document puts the items that are more things to keep in mind in establishing the principles in a preamble.

Treasurer King moved to adopt a step-by-step approach in which to proceed by adopting both documents on the principles (Attachments B and C) as a work in progress, and then following through the cost benefit analysis to show the benefit according to each principle. The motion was then discussed.

Vice-President Hochstetter noted that the documents can, and will have to be, continually edited. President Bode noted that discussion from the industry on May 5 will provide further input. Mr. Nick Brown noted that he was elated with the document and that it was more than he had hoped for in providing guidance for the May 5 symposium.

Secretary Parsley stated concern with the third principle, noting that it goes beyond new transmission and expands to all transmission. Secretary Parsley explained that opening the discussion up to global review of "no free riders" may divert attention from the demanding schedule for new transmission. Mr. Larry Holloway responded that the principle was based on the Kansas Commission's filing at FERC in response to the SPP

filing, and the intention was not to slow down the process. Mr. Holloway noted that the intent was to ensure that after the expansion pricing and congestion management policies are finally set, that the totalities are reexamined to make sure there is not discriminate pricing for the same services. Secretary Parsley reiterated her agreement with the principle and stated she does not want to divert attention from new transmission, which is the current issue. Mr. Mike Proctor noted that several people shared Secretary Parsley's concern, and that they are viewing it as a phased approach that starts with transmission expansion and then examines the question of whether existing pricing also address those same principles. Mr. Proctor noted that all pricing was set out to minimize cost shifts, and that cost shifts should be caused or unwound slowly. Secretary Parsley responded that placing emphasis on new facilities alleviates her concern.

Vice-President Hochstetter noted the fact that there is a correlation between the cost allocation methodologies endorsed by this Board and the CBS, such that the cost allocation methodologies will have to be spelled out in the scenarios and assumption that will be used in the CBS.

Returning to the motion, Treasurer King responded to Board Member Gaw's question that the motion is generally to give a signal from the RSC that the working group is headed in the right direction. **All voted in aye to the motion. The motion passed.**

Vice-President Hochstetter moved that the RSC Board have the authority to approve the final version of the RFP for the CBS consultant, that the RSC Board would have to sign-off on the final version, and that would be the RFP sent out to prospective consultants for the SPP RTO CBS. Treasurer King seconded. All voted aye. The motion passed.

Administrative Issues

Next, administrative issues and assignments were discussed. President Bode asked whether the RSC wants to continue the weekly conference calls on Wednesday and regular conference call meetings rather than meet in person. Board Member Gaw noted that the MISO generally has one telephone conference meeting a month, but may have more depending on the situation. Board Member Gaw noted that the number of meetings probably needs to be flexible depending on the work to be done. President Bode recommended in person RSC meetings in the afternoon before the quarterly SPP Board meetings to provide some structure for members who would like to attend both. Mr. Nick Brown noted that the next SPP Board meeting is July 27, and the following one is three months after that (October). The Operations Policy Committee will also have a teleconference meeting with the SPP Board in mid-May. President Bode recommended conference calls once or twice a month as official RSC meetings, with the other times utilized for staff to get together and discuss outstanding task force items and new business.

Vice-President Hochstetter suggested that at least for the next few months, at least two of the Wednesday conference calls be RSC Board meetings and the other two be informal working group meetings.

Board Member Moline moved to set up RSC Board meetings on the day before each one of the quarterly SPP Board meetings, and that for the near future, establish at least two meetings a month of the regularly scheduled Wednesday conference call as the officially scheduled and noticed RSC meeting. Vice-President Hochstetter seconded. President Bode noted that the SPP web site will have a separate section for the RSC to post information notices and the RSC has the ability to set up special RSC meetings that would be noticed in advance on the bulleting board. **All voted aye. The motion passed.**

Vice-President Hochstetter reported that as one of the incorporators, they filed for and received a provisional federal tax ID number for the SPP RSC that became effective April 23. This was necessary to file for the tax exempt status.

Vice-President Hochstetter moved that Treasurer King be directed to investigate precisely what is needed for the RSC to file for tax exemption as a nonprofit organization and to begin the process for filing that exemption, and then give a progress report at the next RSC Board meeting. Board Member Gaw seconded. All voted aye. The motion passed.

Secretary Parsley requested that any state with a letter designating the RSC members, such as the one provided by Arkansas Public Service Commission, forward the letter to be appended to the minutes of this meeting. President Bode noted that each state may have handled the issue differently, so however the decision was made, it can be added to the minutes of this meeting and made part of the record.

Vice-President Hochstetter questioned whether any RSC Board Member was aware of entities (Office of Consumer Counsel, public counsel, Attorney General's Office, etc.) who would like to seek status as Associate Members of the RSC. President Bode noted that the RSC should put together an invitation and make a recommendation at the next Board meeting on how to get notice to these entities. President Bode told Board Member to forward to her a list of anyone in the state who might be appropriate for associate membership with an email address or a street address.

President Bode discussed the web site and noted that some things resulting from this meeting might be appropriate to post, such as Bylaws, notice, and possibly minutes. The web site will be used as the official way of communicating with all the parties of interest, although the RSC will continue to have the email exploder list to use for communications with each other.

Next Treasurer King requested signatories for the account, and Board Member Moline noted that Article 9, Paragraph 4 of the Bylaws states that in all cases two signatories shall be required, the President, Vice-President, and one other officer.

The next in person meeting will be by July 26 in Kansas City at 2:00 pm.

Adjourn

Having no other business, Board Member Gaw moved to adjourn. President Bode seconded. All voted aye. The meeting adjourned.

Secretary, Julie Parsley

Attachment A

rdh-1

This Southwest Power Pool Regional State Committee meeting came to order at 2:10 p.m. on April 26, 2004.

OFFICIAL REPORTER:
Rita D. Hejny, C. S. R.

rdh-2

rdh-2

COMMISSIONER HOCHSTETTER: Hello, good afternoon. My name is Sandy Hochstetter. I'm Chairman of the Arkansas Public Service Commission, and as one of the members of the

Attachment A

Regional State Committee I'd like to welcome everybody here to the first organizational meeting of Southwest Power Pool Regional State Committee. And I think as one of the first orders of business what the Board members -- or soon to be elected Board members, we'd like everybody in the room to go around and identify yourself and let us know who you are and who you work with, and then we'll get to the folks on the phone and let them announce themselves. So Denise, do you want to be next?

COMMISSIONER BODE: Okay. And just so you all know, when we officially call this meeting to order we do have a court reporter from the Oklahoma Corporation Commission. I wanted to introduce Rita Hejny, she is going to be our court reporter today. So thank you very much.

I am Denise Bode, I'm Chairman of the Oklahoma Corporation Commission.

COMMISSIONER PARSLEY: I'm Julie Parsley. I'm a commissioner on the Texas PUC.

COMMISSIONER BYNUM: Randy Bynum, Commissioner in Arkansas.

COMMISSIONER CLOUD: Jeff Cloud, Commissioner,

rdh-3

Oklahoma Corporation Commission.

MS. DAVIDSON: Joyce Davidson, Staff, Oklahoma Corporation Commission.

MS. LEAF: Kelli Leaf, Staff, Oklahoma Corporation Commission.

MR. PETERS: Mike Peters with the staff with the Kansas Commission.

CHAIRMAN MOLINE: Brian Moline, Kansas Corporation Commission.

Attachment A

COMMISSIONER KING: David King, Commissioner of the Public Regulation Commission, New Mexico.

COMMISSIONER LOW: And Don Low with the Kansas Commission Staff.

UNIDENTIFIED SPEAKER: James (inaudible) with Sleeping Bear, L.L.C.

MR. PERKINS: Mel Perkins, Oklahoma Gas & Electric Company.

MR. STANTON; Jim Stanton with Calpine Corporation.

MR. DILLAHUNTY: Les Dillahunty, Southwest Power Pool staff.

MR. INGRAM: Tony Ingram at BRC.

MR. MARTIN: Joshua Martin, Southwest Power Pool, independent director.

MS. BERNARD: Phyllis Bernard, Southwest Power

rdh-4

Pool, independent director.

MS. THOMPSON: Debra Thompson, Energetix, L.L.C.

MR. MISE: Ray Mise, Energetix.

MR. CAYS: David Cays, Oklahoma Gas & Electric.

MR. KOENIG: Bob Koenig, Oklahoma Gas & Electric Company.

UNIDENTIFIED SPEAKER: Dan Share (phonetically), the Arkansas representative.

MR. WILMOTH: Adam Wilmoth, Daily Oklahoman.

MS. SMITH: Janis Smith, the Journal Record.

MR. OWEN: Steve Owen, Entergy.

MS. GALLUP: Terry Gallup, AEP.

MR. HOCHSTETTER: Tim Hochstetter, AEP.

MR. STRECKER: Hal Strecker, Oklahoma Gas &

Attachment A

Electric.

MR. BROWN: Dick Brown, Southwest Power Pool.

MR. HOUSE: Richard House, Arkansas Commission

staff.

MR. PROCTOR: Mike Proctor, Missouri Public Service
Commission staff.

MS. HEJNY: Rita Hejny, court reporter.

COMMISSIONER GAW: Steve Gaw, Chairman of the
Missouri Public Service Commission.

MR. CROSSLIN: Jimmy Crosslin.

rdh-5

MR. HENRY: Doug Henry West Star Energy.

MS. HANNON: Tracey Hannon, Southwestern Power

Administration.

MR. DEAL: Mike Deal, Southwestern Power

Administration.

MR. DUNN: Tom Dunn, Southwest Power Pool.

MS. DUNCAN: Stacey Duncan, Southwest Power Pool.

MR. SHUMATE: Walt Shumate, consultant.

MR. HENRY: Doug Henry, West Star Energy.

MR. STUCHLIK: Tom Stuchlik, West Star Energy.

MR. GUNNISH: Don Gunnish, Oklahoma Gas & Electric.

MR. WALKER: Gary Walker, Oklahoma Corporation

Commission.

MR. FLEISCHAKER: David Fleischaker, Secretary of
Energy, State of Oklahoma.

MR. VANDEWATER: Bob Vandewater, aide to
Commissioner Jeff Clout.

MR. DECKER: Owen Decker, Oklahoma Electric Power.

MS. LYDER: Tiffini Lyder with PSO.

MR. MONROE: And Carl Monroe, Southwest Power Pool.

Attachment A

COMMISSIONER BODE: All right, those on the phone, would you identify yourself, please.

MR. LOUDENSLAGER: Sam Loudenslager.

COMMISSIONER BODE: With the Arkansas Commission.

rdh-6

MR. LOUDENSLAGER: Yes.

COMMISSIONER BODE: Anybody else?

MR. HOLLAWAY: Larry Hollaway with the Kansas Commission Staff.

MR. BELL: John Bell and Commissioner John Wine with the Kansas Commission.

MR. JOHNSON: Steve Johnson with the Missouri Public Service Commission Staff.

MR. WOLF: Walter Wolf, New Orleans, Louisiana, Louisiana Public Service Commission.

MR. DeBAUN: And Tom DeBaun, Kansas Commission.

COMMISSIONER BODE: Anyone else?

MS. HOCHSTETTER: All right. Our first order of business technically needs to be for the four incorporators of the SPP Regional State Committee to acknowledge who the individual Board members are going to be that represent each state within the Southwest Power Pool Regional State Committee. I believe that most of the states have designated someone, one of the Commissioners, to serve as the official representative from that state to serve as a member of the Board of the Southwest Power Pool Regional State Committee. I'll start for the state of Arkansas, myself, Sandy Hochstetter will serve on the Board of Directors for the Regional State Committee, and Commissioner Randy Bynum will be my alternate. Should we turn

Attachment A

rdh-7

to Oklahoma now?

COMMISSIONER BODE: Okay, Oklahoma. I will serve as the representative on the RSC, and my understanding is that Jeff Cloud would also be my alternate.

COMMISSIONER PARSLEY: Julie Parsley with the Texas Commission. I will be the designee to the RSC and we will designate an alternate at this open meeting on Thursday.

CHAIRMAN MOLINE: I'm Brian Moline. I'll serve as the Commissioner of Kansas and we will designate an alternate shortly.

COMMISSIONER GAW: Steve Gaw. I'll serve as the designee for the RSC and we'll have an alternate forthcoming.

COMMISSIONER KING: David King, Commissioner for New Mexico, and we'll probably have Commissioner Hughes as alternate.

COMMISSIONER HOCHSTETTER: Commissioner Hughes as the alternate? Thank you, David.

Walter, on behalf of the Louisiana Public Service Commission, I think it's just appropriate that I ask, have you designated a commissioner yet to serve on behalf of the Louisiana Commission on the RSC Board?

MR. WOLF: No, not yet, to the best of my knowledge. But we won't keep you in suspense much longer, I think.

rdh-8

COMMISSIONER HOCHSTETTER: Okay, thank you, Walter. We just needed to make that note in the record.

MR. WOLF: Thank you.

COMMISSIONER HOCHSTETTER: All right. Well, it sounds then like we have six Board members for the Southwest

Attachment A

Power Pool Regional State Committee, and under the Bylaws, which will be our next order of business, those individuals will serve as the official Board.

COMMISSIONER BODE: I make a motion that we adopt these Board members on behalf of the incorporators.

COMMISSIONER KING: Second it.

COMMISSIONER HOCHSTETTER: All in favor say aye.

AUDIENCE: Aye.

COMMISSIONER HOCHSTETTER: Okay.

COMMISSIONER GAW: All right. Do we have the official Bylaws? Thank you, Madam Chair. I'm going to make a motion. We have a set of Bylaws that have been worked on over a number of months by a number of different people. Let me just say thank you to all the people who put a lot of time on it. We have a tremendous amount of work from the staff of several commissions and of the commissioners themselves. I move for the adoption of the Bylaws and think the proposed date -- the date of the Proposed Bylaws is April 7. Is that the correct copy -- the latest copy? I'll make that motion.

rdh-9

COMMISSIONER BODE: Second.

COMMISSIONER HOCHSTETTER: All those in favor of adopting this set of Bylaws or official set of Bylaws say aye.

AUDIENCE: Aye.

COMMISSIONER HOCHSTETTER: Any opposed? All right. Thank you, Steve.

COMMISSIONER GAW: You're welcome.

COMMISSIONER HOCHSTETTER: All right, we have our official set of Bylaws that have been dually accepted by the Board.

Attachment A

Next item of business is the election of officers, and I move to nominate Chairman Denise Bode of the Oklahoma Corporation Commission as the President of the RSC Board of Directors.

CHAIRMAN MOLINE: Move the nomination be closed.

COMMISSIONER HOCHSTETTER: All those in favor?

AUDIENCE: Aye.

COMMISSIONER HOCHSTETTER: Be closed.

PRESIDENT BODE: Thank you, all. I would like to at this point move Sandy Hochstetter to be elected Vice-Chairman or Vice-President -- President or Chairman? What is it?

COMMISSIONER HOCHSTETTER: Vice-President.

PRESIDENT BODE: Vice-President. Okay;

rdh-10

Vice-President of the SPP Regional State Committee.

COMMISSIONER MOLINE: Second it.

COMMISSIONER GAW: Move the nomination cease and that Madam Chair, she be elected by acclamation.

PRESIDENT BODE: The recommendation is that she be elected by acclamation. Any objection? If not, that will be the order of day.

The next nomination that we have is for Secretary. Do we have any motion?

COMMISSIONER KING: I nominate Julie Parsley from Texas.

PRESIDENT BODE: David King nominates Julie Parsley from Texas. Move to second it. Is there any discussion? If not, then the motion is to have Julie Parsley be named secretary of the RSC. All in favor.

AUDIENCE: Aye.

Attachment A

PRESIDENT BODE: Any opposed? If not, then Julie will be Secretary.

We now move to Treasurer. Do we have any nominations for Treasurer?

SECRETARY PARSLEY: I move that David King of New Mexico be Treasurer.

COMMISSIONER MOLINE: Second the nomination.

PRESIDENT BODE: Move to second it. Is there any

rdh-11

discussion? If not, we have the nomination. If not, then let's vote. All in favor of David King being elected Treasurer of the SPP RSC say aye.

AUDIENCE: Aye.

PRESIDENT BODE: Any opposed? If not, David is now named Treasurer of the organization.

I think the next order of business is a motion regarding the secretary.

VICE-PRESIDENT HOCHSTETTER: I'd like to move that our newly elected Secretary Commissioner Parsley incorporate all of the business that we've done prior to today into the minutes of the record, such as the naming the Board, the Bylaws and the officer elections.

COMMISSIONER GAW: I'll second that motion.

PRESIDENT BODE: It's been moved and seconded that the newly elected Secretary incorporate all the business prior to the elections into minutes. Is there a second?

COMMISSIONER GAW: Yes.

PRESIDENT BODE: Is there any discussion? If not, all in favor say aye.

AUDIENCE: Aye.

Attachment A

PRESIDENT BODE: Any opposed? If not, that will be the order of business and you have your first job.

SECRETARY PARSLEY: All right.

rdh-12

PRESIDENT BODE: Okay; thank you, Rita.

I believe regarding budget, funding, those issues, do we have a motion on that?

SECRETARY PARSLEY: I actually have two motions, one related to the budget and one related to the funding.

PRESIDENT BODE: Commissioner Parsley's recognized.

SECRETARY PARSLEY: The first motion is to direct the Treasurer to propose a two-year budget that will be presented at the next Board meeting for adoption by the Board of Directors.

VICE-PRESIDENT HOCHSTETTER: Second.

PRESIDENT BODE: It's been moved and seconded. Is there any discussion? If not, all in favor say aye.

AUDIENCE: Aye.

PRESIDENT BODE: Any opposed? If not, that's moved and seconded and voted on. Any other motions?

SECRETARY PARSLEY: And then I have a second motion on funding.

PRESIDENT BODE: Okay.

SECRETARY PARSLEY: Which is the Treasurer be directed to produce a proposal for funding for the RSC that will likewise be presented to the Board at the next meeting.

VICE-PRESIDENT HOCHSTETTER: Second.

PRESIDENT BODE: Been moved and seconded. Is there

rdh-13

any discussion? If not, all in favor say aye.

Attachment A

AUDI ENCE: Aye.

PRESIDENT BODE: Any opposed? If not, that will be the order of business.

Is there another motion regarding funding?

COMMISSIONER MOLINE: Madam Chair, I have a motion.

PRESIDENT BODE: Okay. Commissioner Moline will be recognized to make a motion.

COMMISSIONER MOLINE: Thank you. I move that the Board direct the Treasurer to investigate and make appropriate proposals at our next Board meeting for opening of bank accounts as needed.

VICE-PRESIDENT HOCHSTETTER: Second.

PRESIDENT BODE: It's been moved and seconded. Is there any discussion? If not, all in favor say aye.

AUDI ENCE: Aye.

PRESIDENT BODE: Any opposed. If not, that will be the order of business. So we now have direction for both the Secretary and for the Treasurer to take actions.

SECRETARY PARSLEY: You all are good at delegating.

PRESIDENT BODE: Our Vice-President is good at setting up our delegation. We very much appreciate what she has done to make this meeting go so smoothly.

The first thing I think we need to discuss at this point

rdh-14

is new business, old business, combination of business. We have several issues that need to be dealt with in this meeting. And we have two Working Groups of our staff that have been working as well with the staff of Southwest Power Pool regarding, first, transmission upgrade and expansion, cost allocation for the Southwest Power Pool, and then discussion

Attachment A

with regard to the Cost Benefit Study to be commissioned by the Southwest Power Pool.

My recommendation is that we go ahead and discuss the Cost Benefit Study issue first. I think we have it listed second, but I think since it's regarding the budget and those kinds of issues, maybe we out to go ahead and get that dealt with while we have Southwest Power Pool staff and Board members here. Is there any objection with taking that issue up first? Okay. That will be the order of business.

Now we do have, I believe, a staff Working Group that has been working on this Cost Benefit Study. They have moved on -- at our last conference call they have moved on to the point that I think in cooperation with the Southwest Power Pool staff there has been ready an RFP. And I guess at this point it would be appropriate to have a report from members of the Working Group on our staff regarding the Cost Benefit Study. Do we have members available? I think we had -- Sam, can you give us that report as to what the status is and discussions?

rdh-15

MR. LOUDENSLAGER: Right now the Working Group or the Task Force is trying to complete its work on developing the RFP, which I believe has been circulated, at least last week, and I believe what would take place after today will be action by the Board of Directors. There will be a recommendation by the SPP Strategic Planning Committee to authorize funding for that study.

PRESIDENT BODE: Okay. Is there anybody else that would like to discuss from the staff Working Group or from SPP staff that have been working on this as well? Is there anything else that anyone would like to raise regarding that? Okay. If we don't have the staff; are there any Commissioners

Attachment A

that would like to discuss how we handle this issue?

VICE-PRESIDENT HOCHSTETTER: This is Sandy Hochstetter. I've got a question I guess for the Staff as far as -- or the Working Group staff for the RSC as to the status of discussions with SPP on the contracting entity as well as the funding. Do you have more information to share with us today? And I guess we could ask SPP that same question -- the SPP staff that would be here with us today, because just to update everybody that's in the room, there has been a concern recently in terms of the appropriate entity to contract with the consultant to perform the Cost Benefit Analysis and our need for a funding mechanism to do that, if in fact the RSC

rdh-16

would be that entity. So if anyone could give us an update on where discussions are between our Working Group and SPP, that would be helpful.

MR. BROWN: I'll be happy to do that. I just noticed that all of our sound went dead. Our mics are on but it's not coming through the sound system. So I'll try to speak-up.

This is Nick Brown. At our Strategic Planning Committee meeting late last week the issue of funding for the Cost Benefit Study was discussed. There was indication by a couple of representatives from the states that there was interest in the states funding that as opposed to SPP funding it from a perception of independent's viewpoint. I won't argue one way or the other. SPP has already agreed to -- or is in the process of agreeing to fund. The Strategic Planning Committee will make that recommendation to the Board tomorrow. So whether we're the contracting entity or not, from my personal

Attachment A

perspective, is not a big issue. I'm not sure that I see it independent's problem if SPP were to pay for it, no different than any of the individual state jurisdictional entities that funded studies that they've done on behalf of the commission's requests in the past. However, it's not an issue to us. If there's a desire for the RSC to actually be the contracting entity, I've got no problem with that.

rdh-17

Under SPP's Proposed Bylaws that have been approved by our Board, the file is part of our RTL application. Our funding for these things or funding of RSC activities is pursuant to a budget. And I've noted earlier that you all have taken action on putting that budget together. But our Board will need to act on that budget as well to channel those funds to your accounts. But again, I have no problem with doing that one way or the other.

PRESIDENT BODE: Is there any further discussion?

VICE-PRESIDENT HOCHSTETTER: I have a question, Nick. I was curious if the budget takes a period of time to put together, as it most likely will, and yet the RFP process for selecting a consultant is moving at a faster pace, would SPP or the SPP Board you think be amendable to giving the RSP an advance on our budget and have us deposit it in our checking account so that we have collateral, if you will, and a technical contractual ability to fund whoever the winning consultant is?

MR. BROWN: Yes. That was the point that I made at the SPC meeting last week, as a concern on the RSC being the contractor versus SPP being the contractor, because obviously if our Board takes action tomorrow, the funds would immediately be available, from our perspective. We just didn't want to see

Attachment A

anything slow the process down. So to the extent that RSC

rdh-18

really believes it needs to be the contracting entity, I certainly am prepared to recommend that our Board authorize advance release of funds into an account so that the RSC can then effectively be the contracting entity.

PRESIDENT BODE: Nick, I think the issue that was raised, which is a valid issue at the last conference call, just to reiterate, is that if the RSC is going to utilize membership of the various states, all are going to utilize or many who need to utilize, because of state statute or rule, then if the RSC contracts for the study to be done, then it might give it a higher level of validity for these individual states utilizing one plan, which will enure to the benefit of the utilities that are making their case before that commission, and it might expedite the process. And I think that was the point that was made, which I think ends up being a win-win for everyone. So I think just to kind of put on the record what the discussion was.

MR. BROWN: Yes, and that's good. And I very much agree with that. I mean the whole purpose of the Cost Benefit Study is to meet individual state requirements. And so to the extent that the states prefer to be the contracting entity, I've got no issue with that at all.

PRESIDENT BODE: Yes, Commissioner Hochstetter.

VICE-PRESIDENT HOCHSTETTER: For those of you that

rdh-19

are in the room, and I have to keep reminding myself, this is our first organizational meeting and first public meeting, and

Attachment A

obviously a number of you have not been involved in our weekly conference calls on these issues. So I think for the record, for purpose of the minutes to reflect this particular issue, it would probably be wise for us to tell everybody exactly what we're talking about when we talk about a Cost Benefit Analysis. So do a little back-up here.

The state started a discussion a few months ago about what the most effective, efficient and feasible way would be for us to move forward and evaluate all of our respective utility's membership in the Southwest Power Pool RTO from a net public interest standpoint. Different states have different statutory requirements to find any transfer of ownership or control of transmission assets to be in the public interest. In some states it's no net harm. In other words, you know, being a -- having a neutral effect, which I think is the case in the state of Missouri. In Arkansas we have to prove a net public interest as a net benefit. David King is nodding his head; I think that's the case in New Mexico as well. I'm not sure what the standard is in Kansas? Is it no harm or a net benefit?

COMMISSIONER MOLINE: We have to prove benefit.

VICE-PRESIDENT HOCHSTETTER: Okay, net benefit. I

rdh-20

think that's the same in Louisiana. So the majority of the states have to prove a net benefit -- or net public interest to approve any utilities transfer of ownership or control transmission assets, or distribution assets, for that matter. But in this case we're talking about transmission assets. So that has been what caused us to have this discussion on a Cost Benefit Analysis.

And an analogy was raised, or an example, of what we

Attachment A

could do with what the southeastern regulatory states did about a year and-a-half ago, otherwise known as SEARUC. They hired Charles River Associates, which is a well-known national consulting firm, to perform a regional Cost Benefit Analysis on RTOs and state requirement design issues for all of the utilities that would be participating in the then pending SeTrans application and Grid Florida. And the benefit we saw from that one regional approach was that there was one Cost Benefit Analysis done. The costs were shared among the everybody in the region. And the consulting party looked at the regional cost of benefits and then broke it down by state and by utilities, such that it was a document that could be used by all the member state commissions.

So this group of state regulators have been visiting over the last couple of months about the fact that might be a very cost effective, efficient way to move forward, to do the

rdh-21

Cost Benefit Analysis for this region with respect to our individual utilities desire to be a member of the Southwest Power Pool RTO. So that is collectively what we have agreed to do. And I guess I need that to be reflected in the minutes as well. And that is then what caused us to launch this Working Group to work with SPP and the member utilities on putting together a request for a proposal that will be sent out to some designated credible, noteworthy consultants in the industry, and then we can get the proposals and go from there.

And if anybody wants to add anything to that. I see Mike Coselli (phonetically) stand up.

PRESIDENT BODE: Thank you. And for the record, if we have anyone that speaks outside of our SPP Commissioners or

Attachment A

staff, if you'd please identify your name and company for the record.

MR. COSELL: Thank you. This is Mike Cosell with AEP. I actually just have a couple of questions and wanted to highlight one thing that was a little bit different in the SEARUC. When the SEARUC entities engaged Charles Rivers, that was because there wasn't an independent entity at the time. In this particular situation at least we have Southwest Power Pool. And so there is a little bit of a difference there. I just wanted to highlight that because the question I have is related to a requirement we have in Louisiana.

rdh-22

We've been informed by Louisiana that this Cost Benefit Study of SPP or whoever is going to engage them may not be sufficient to satisfy the Louisiana orders. And we had a concern that if we go down this path and still choose a consultant to engage in this study, would we be able -- would we, AEP, be able to get the results of that study and the models so that we could perform the extra step we're going to have to make Louisiana -- satisfy our state regulators in Louisiana. And that sort of goes to the questions as who engages them. Is it the states that are going to engage them or is SPP going to engage them? So it's a question for you all to be thinking about because now we have to go that extra step in addition to this Cost Benefit Study.

VICE-PRESIDENT HOCHSTETTER: Michael, is that official? Have they entered an order saying that they will not accept --

MR. COSELL: They haven't. They have not entered an order, but what they told us through special counsel was that it may not satisfy their order. So there's nothing

Attachment A

officially in that conversation. Walter, you're on the line, you were a part of that conversation last Wednesday when we had that.

PRESIDENT BODE: Walter, did you hear the question?

MR. WOLF: I think that Michael's asking --

rdh-23

mentioning the possibility that this multi-state survey may not fulfill the standing orders with the Louisiana Public Service Commission for Cost Benefit Analysis?

PRESIDENT BODE: Right.

MR. WOLF: That's correct.

PRESIDENT BODE: There is there an ability to work with the consultant that is retained to include the information that you all might require as we do the Cost Benefit Analysis, so that it could meet your requirement?

MR. WOLF: That's certainly a possibility.

PRESIDENT BODE: Well, I think that we would want to work towards that so that every state could use it. And is there a possibility that you could get back to the Working Group with what those requirements might be so they make sure that they could include that in there, --

MR. WOLF: Yes.

PRESIDENT BODE: -- so that it could be included in the RFP?

MR. WOLF: I think we could do that.

PRESIDENT BODE: Okay. I think that answers Michael's questions and I think that's a very legitimate concern, and I think we would very much like to have everyone -- everyone's input into the RFP. I know that's what the staff has been doing in working together over the last

Attachment A

rdh-24

several weeks with the SPP staff to try to come up with this RFP, is to make it so that it is as inclusive as possible.

VICE-PRESIDENT HOCHSTETTER: Walter, this is Sandy. Do you have a member from Louisiana staff working with the Working Group -- or RFC Working Group on the Cost Benefit Analysis?

MR. WOLF: To my knowledge, I don't believe we do. I'm the primary conduit back to the staff, but I can certainly arrange for staff to attend some of the conferences.

VICE-PRESIDENT HOCHSTETTER: It sounds like maybe, at a minimum, you ought to inject yourself into our Working Group.

PRESIDENT BODE: Right. Yes, I think that that's probably a good plan. Sam, you're still on the phone as well, aren't you?

MR. LOUDENSLAGER: Yes, ma'am.

PRESIDENT BODE: Okay. So maybe you and Walter can get together to see what you can do to make sure that the RFP includes the issues that Louisiana is concerned with.

MR. LOUDENSLAGER: We'll do what we can.

PRESIDENT BODE: Okay. And you'll report back to us if there's some things that, you know, we need to address as a Board.

MR. LOUDENSLAGER: Certainly.

rdh-25

PRESIDENT BODE: Okay. Thank you very much. Are there any other questions or comments?

One of the questions is does everybody have a copy of the RFP -- the latest version of the RFP? All the

Attachment A

Commissioners? Staff? Anyone else that would like to see one?

Sam, maybe you can tell us what the time line is that you're working on right now, and perhaps one of the -- if we don't have any more discussion about both the funding issues, which I think Nick has clarified the position that at least they'll be recommending to the Board tomorrow. And if we don't have anymore discussion on that or on the substance, maybe we can address the time line on this for getting input back into the RFP.

MR. LOUDENSLAGER: Yes. The time line right now, we're anticipating a minimum of -- we're anticipating four months to complete the project once the contract has been let. So we're looking at a September date for receiving the results of the study. The states really need to provide their input within the next week into the RFP so that we can move this project forward.

PRESIDENT BODE: Okay. So what we're talking about is within seven days? So next Monday is the time line as to when you'd like to get input back?

MR. LOUDENSLAGER: That would work, I believe.

rdh-26

PRESIDENT BODE: Walter, do you think that you would have an opportunity in the next seven days to engage the Louisiana staff in talks with Arkansas and its staff and the other Working Group members?

MR. WOLF: I can report to you this afternoon, and I'll talk to them again tomorrow to see what we can arrange. I can't make any promises, but I'll do whatever we can to help.

PRESIDENT BODE: Okay. Well, Walter, if you don't mind, if you could get with Sam and at least tell us what we

Attachment A

need to do. I think the seven days ought to be a reasonable amount of time to be able to get input. So I would -- my recommendation is that we shoot for the next Monday target. If we find out that there are concerns, then perhaps some of the Commissioners, Sandy and I, can get on the telephone with the Louisiana Commission and see if there's any way we can break this law jam. Because I would think that Walter, regardless of what your final decision is in Louisiana, that you would want to minimize cost to ratepayers and others who are funding by utility individually these studies, so that, you know, you're just doing one study and not requiring different studies for each state. That would really minimize costs I think.

MR. WOLF: Well, minimizing costs to ratepayers is always our chief concern with the Louisiana Public Service Commission, as I understand it. We have until tomorrow, that

rdh-27

would be our motto.

PRESIDENT BODE: Good. Well, I thought that would be.

VICE-PRESIDENT HOCHSTETTER: You are running for office, Walter.

PRESIDENT BODE: Okay. Well, I think that we'll shoot for that target, if that's okay. Does anyone else have any comments or discussion on that time line? And so that would be May 3 that we'll try to complete input into the RFP so that we can get it out. And we will -- as we all have in the past, we'll report back to each one of the commissions the final version, probably several versions between now and then. Okay?

Is there any further discussion or is there anything else we need to raise with regard to the Cost Benefit Analysis?

Attachment A

Are there any other utilities -- Commissioner King?

TREASURER KING: Maybe just to reiterate. I would, as Treasurer, work with Nick after this meeting to make sure that we make arrangements. We need to make specific arrangements on the bank accounts, if we're going to do an advance, to get the process started.

PRESIDENT BODE: Yes. Yes, I think that's true. What Nick is doing is he's announced what his recommendation would be and the issues and questions he had, hopefully which

rdh-28

are answered at this meeting. And so the independent Board will have to make a call on the tomorrow. And assuming that they approve the concept of setting up an advance to get this contract let, then you would work with Nick to make those arrangements.

TREASURER KING: Right.

MR. BROWN: I'll work with the Chair of our Strategic Planning Committee this evening in preparation for the Board meeting tomorrow. Richard Spring will be making recommendations related to this. We'll try to incorporate all of this into those recommendations.

PRESIDENT BODE: Okay. And that was Nick Brown, President of SPP.

TREASURER KING: And I as your Treasurer would work with him.

PRESIDENT BODE: Okay. Commissioner King, thank you.

If there's nothing further on the Cost Benefit Study, let's move on to the second issue of business that we have pending, and that is the Task Force that has been working on

Attachment A

policy concerning transmission upgrade and expansion cost allocation for the Southwest Power Pool.

Just to begin the discussion, I wanted to mention one thing. I'll take the liberty to share with you that at the

rdh-29

Last conference call that we had Oklahoma agreed to try to take some of the items that were listed as principles and convert them into sort of a more general statement to begin -- as a preamble to begin the listing of principles that we were going to use as sort of a draft to be utilized at the SPP May 5 conference. And that I think Joyce Davidson from the Oklahoma Commission has put that draft together for you all to take a look at. And I'm hoping that Joyce is passing that out right now. Is that true, Joyce?

MS. DAVIDSON: Yes.

PRESIDENT BODE: Yes; okay. So she is passing that out. So that is in addition to the principle statements I think that many of you all have. And I think at this point we'll turn it over, Mike -- Mike Proctor has been helping to lead the discussion on our Working Group on this issue.

MR. PROCTOR: As you recalled, last Friday we discussed a version of this that included a list of nine principles and explanation with each one of those. Let me just go through the five that the Oklahoma Commission has included and should be on this front page. Three of those principles have to do with equity and were the first three principles that were on our list of nine.

The first principle is that the cost allocation policy should reflect the classic principal of cost causer should be

rdh-30

Attachment A

cost bearers, and he who benefits should pay. This is a principal that was also adopted by the organization of MISO states for purposes of pricing.

Second principle relates also to equity. The cost allocation of the transmission service should not result in the cost causer being required to pay for more than is received in transmission benefit. I think it's -- I think it's true today -- under the funding policies that exist today, that if you even add a small increment of need and you have a large upgrade to be done on a facility, you have to pay for it all and you just get the group of benefit that you requested. And so this principle is saying no, that's not the way -- from an equity standpoint, that's not the way this should happen.

The third principle, the cost allocation policy for transmission expansion, transmission access pricing and transmission service allocation, whether physical or financial, should, when combined, reflect the principles that there are no free riders, and that similar transmission service is allocated and priced indiscriminately. This has to do with currently today we have a system of zonal rates that essentially is based upon the assumption there's no cost shifting and is based upon the -- I should say the premise of no cost shifting, and the assumption is that everybody's leaning on everybody else's system in pretty much an equal basis. And this principle says

rdh-31

we need to challenge that. We need to look at that. We need to take a hard look at that as to whether or not that's really the case.

The fourth principle is related to reliability. Each transmission owner should fund and recover the approved costs

Attachment A

of transmission projects to meet the SPP reliability standards, replace obsolete facilities, and meet growth and demand. So basically for transmission that's going to be built for reliability purposes, the principle here is that the transmission owners should fund those and they should be able to recover those -- their costs from those.

The fifth this principle that is listed here is called allocation, and it basically says transmission expansion projects resulting from the RT0 plan that are intended to provide economic benefits may be allocated to single or multiple transmission customers and/or zones or the entire region based on the RT0's estimate of the distribution of benefits. So it's recognizing some distinction between projects that are funded for reliability purposes and projects that are funded for economic purposes.

What I will add to this is our discussion last Friday with you all included four additional principles, and we view these principles as in part a work-in-progress. What we wanted to do today was to get a document that is more of a living

rdh-32

document, not a final document, not something that cannot be changed in a future date. But a living document of principles that could go forward to Less Dillahunty and the SPP as a part of the process that they're involved in in trying to work through this business of putting together a way to fund transmission.

So I don't know what the Board's actual -- what they want to do at this point, whether they want to just adopt these five principles or if they want to -- for purposes of going forward with the SPP, say these are the principles that at this point we have said these look like the direction that we want

Attachment A

to go. Or if they -- if they want to go forward with the document that had all nine principles in it. I mean I'm going to leave that up to the Board as to exactly what they want to do at this point.

PRESIDENT BODE: Let's have some discussion about which direction we want to go. I think the idea what we discussed, I think Mike explained very articulately, is that at last Wednesday's call we discussed this item and we talked about the idea of having a draft working document as a starting point for the May 5 conference that SPP was putting together, and that SPP staff and consultants having been sitting in and working with the staff Working Group. This is not just our commission Working Group, this is a joint Working Group. And

rdh-33

so they have input and have been working together as a team with the Commission Staff. So I wanted to add that as a bit of a clarification in support of putting together that kind of a working document.

And obviously what we said after the last meeting to reiterate is that we took what we thought were real principles and tried to pull out the other items that were more things to keep in mind, and tried to put the items that were to keep in mind in establishing the principles as sort of a preamble. So we basically took the wording and the language from the first document to try to put in the second document. So let's have some discussion as to what approach the Commissioners would like to take.

Commissioner King.

TREASURER KING: Madam Chairman, I know that recent (inaudible) and the North American Energy Summit this came up

some, this seems like this follows exactly along those lines. If we adopted these principles and then made sure we followed through the Cost Benefit Analysis on each step of each principle was accomplished that showed the benefit according to the principle we will proceed. So that we would be, in this case, taking a step-by-step approach following each of these principles. I think the principles, the way you've outlined them, the work that's been done, I would move that we adopt

rdh-34

these principles as a step-by-step approach as we go through this analysis.

PRESIDENT BODE: Is the motion that you would adopt this as a working draft --

TREASURER KING: Yes.

PRESIDENT BODE: -- as stated by -- both documents or which documents?

TREASURER KING: I would think both documents go hand-in-hand.

PRESIDENT BODE: Okay; thank you. Is there a second? And let's have discussion. Yes, let's have discussion questions at this point. Commissioner Hochstetter.

VICE-PRESIDENT HOCHSTETTER: Thank you. I have a question that kind of ties back to what we were saying earlier as far as these being living documents. In other words, they could continually be edited, you know, in this process that we've been engaged with for several months. Because I think that, you know, as our discussions continue to evolve amongst the Commissioners and as SPP in fact needs more detail from us, we are going to have to continue to edit these documents. So, you know, what they look like today may not be what they look like tomorrow or next week. But you know, this is a starting

Attachment A

point, and I think that that would be the only way that I would be comfortable, you know, adopting anything today is with the

rdh-35

understanding that they're going to continue to be edited and fine-tuned and, you know, it will evolve over the course of time.

TREASURER KING: Madam Chairman, I think that the step-by-step approach of these principles takes all the economics into it. We won't know all that until we get the analysis. So we have to take that a step at a time. So I think the living document has to be that way, and it may as we go along depending on what we find out each step.

PRESIDENT BODE: And we'll have the benefit of the meeting that we're having on May 5 to get input and have discussion of the industry, which I think will take us a lot further along that path as well.

VICE-PRESIDENT HOCHSTETTER: Along those lines, how much more detail -- Nick, how much more detail do you guys need for the May 5 meeting that goes beyond the principles that are here on paper? Obviously these are high level, you know, 10,000 foot principles, and when it comes to actually doing a cost allocation methodology there's going to be a great deal more specificity required. So what was your word, appropriate or objective, in terms of where we'd be by the May 5 meeting?

MR. BROWN: Well, seeing these, I'm elated. I very, very much appreciate the efforts that you all have made over the past couple of months in putting these together. It's

rdh-36

more than really what I had hoped for in providing guidance May

Attachment A

5. I very much agree that as we come closer to focusing on kind of an in-state type of process for expansion funding, that more detailed information will be needed and more detailed policy guidance will be needed. But this is a wonderful start; very much so. In fact, it will be a really good shot in the arm for the May 5 meeting symposium is what we're calling it.

PRESIDENT BODE: Thank you. Commissioner Parsley.

SECRETARY PARSLEY: I don't know if it's -- I have one thought about one principle, and I don't know if this is the appropriate time to raise it right now in this discussion or not, because I know this is kind of a work-in-progress. So I just wanted to throw that out there and see if it's a good time to go ahead and --

PRESIDENT BODE: Absolutely.

SECRETARY PARSLEY: Principle 3, and this may have actually been raised in one of the discussions, I think it's something that we of course agree with. I'm afraid it gets a little beyond new transmission and expands to all transmission, and I'm a little afraid that since we have a fairly demanding timeline relating to new transmission, that if we open it up to sort of a global review of no free Riders or what could be seen as the rating structure, that we may end up diverting our attention from the new transmission issue.

rdh-37

I'm not saying this is something we need to do, this is a principal just in terms of existing transmission. I don't know how exactly to handle that, whether it should be restricted to strictly new transmission or whether we should pull the principle and say that once we have this idea for the new transmission we're going to make sure there's no free Riders. I'm not sure how exactly to handle that, and I just

Attachment A

wanted to throw that out there. I know none of us want attention to get diverted from the new transmission issue.

PRESIDENT BODE: Okay. Who would like to be recognized?

MR. HOLLOWAY: This is Larry Holloway.

PRESIDENT BODE: Larry.

MR. HOLLOWAY: Yes. The concern really was kind of based upon the Kansas Commission's filing at FERC in response to the SPP filing, but one of the issues here is at the end of the day, you know, when you're done with your expansion pricing and you've adopted -- you adopted that, we would like some place over there that grants the ability to make sure that when you combine access pricing, expansion pricing and allocation of transmission service, that all in all there aren't some people getting more service -- getting the same service at different prices basically. So I mean the intention there is not to slow down the process of expansion pricing, but to make sure that

rdh-38

after you do that, and along with that as you get into congestion management, however you're going to do that, whether it's physical or financial or whatever, that you re-look at that in totalities with the access pricing to make sure that when you're finally done there is not discriminate pricing for the same services amongst the all people in the RTO or all customers.

PRESIDENT BODE: Commissioner Parsley.

SECRETARY PARSLEY: And I agree with that. I think my concern would be that if we were going to use these principles for the Cost Benefit Analysis -- is that what I thought maybe I heard?

Attachment A

PRESIDENT BODE: Cost allocation.

SECRETARY PARSLEY: Right, for the cost allocation.

PRESIDENT BODE: Yes, but also for Cost Benefit Analysis.

SECRETARY PARSLEY: Right. To the extent that it moved it away from looking at expansion or new transmission, I just was hoping that that wouldn't actually happen. I'm in agreement with the principle. I just don't -- I just don't want attention to be diverted from the expansion of the new transmission, which is what we're looking at right now. And I don't have a problem with the placeholder at all. I'm just wondering if it should be -- as a principal maybe should be

rdh-39

restricted to that look, and then when we move forward after we look at expansion to other issues it could be directed at looking at that as well.

PRESIDENT BODE: Any comments?

MR. HOLLOWAY: The concern that I would see is that you could go ahead -- I mean right now the access pricing has its own rate in SPP and you couldn't at the end of the day go through your expansion planning and decide well, we want to pay for expansion on postage stamp basis. And if we do that, I think you're going to be into all the problems that I believe even FERC commented on following the Omaha conference last year.

PRESIDENT BODE: Let me recognize Mike Proctor for the Missouri Commission.

MR. PROCTOR: Thank you. The way our group discussed it, because there was several of us that had the same concern that Commissioner Parsley is expressing, and the way we saw it is kind of as a phased approach, starting with

Attachment A

transmission expansion, having the priority. And if you move to -- let's say you go to a certain pricing system that everybody agrees reflects these principles, then I think you go back and address the question, well, does existing pricing also address those same principles or are there some problems with the existing pricing.

rdh-40

Now, like I said at the outset, I think that all of that pricing was set out to minimize cost shifts. That was the thing that drove that. Okay? That if you're going to cause cost shifts, I think it's just good to do that slowly, to unwind it slowly. And so those are the -- what we're getting into now is how do we apply these principles and over what period of time do we apply them and that type of thing. But I think in our minds, and I think in Larry's mind, too, we were expressing the priority would be on new facilities because that's what's needed and it's needed as soon as possible.

PRESIDENT BODE: Does that answer your question, Commissioner Parsley?

SECRETARY PARSLEY: If that's the emphasis in that, that answers my question.

PRESIDENT BODE: Thank you very much. Are there further comments or questions or discussion on this issue?

VICE-PRESIDENT HOCHSTETTER: This is Sandy Hochstetter. I had just kind of a follow-up point, but I think, here again, it's something good to make for the record which Commissioner King and Commissioner Parsley noted, the fact that there is in fact a correlation between the cost allocation methodologies that this Board endorses and the Cost Benefit Analysis. I'm moving forward with the SPP RT0.

Attachment A
Going back to the analogy that I made earlier with the

rdh-41

SEARUC Cost Benefit Analysis that was done by Charles River Associates, whether you do socialized, you know, i.e., rolled in transmission pricing versus a cost causer or beneficiary phase approach makes a difference in terms of whether or not the RTO, if it adopted that policy, was in fact net beneficial or not for your ratepayers, whether you use zonal versus postage stamp pricing affects net benefit calculations. So the cost allocation methodologies will have to be spelled out in our scenarios and assumptions that we use -- or that we give to whoever the winning bidder is. Whoever the bidder is that is going to be doing the Cost Benefit Analysis for the RTO, they will have to run various scenarios of different sensitivities on these cost allocation methodologies. So I just wanted to clarify that since we do have a court reporter for benefits of the transcript that that's one of the tie-ins I think was a real good point that Commissioners King and Parsley made.

PRESIDENT BODE: Are there any other comments or discussion on this item? Anyone else on the phone have anything you'd like to add to this discussion?

What is the interest of the RSC on the principles that are stated? Do you want to go ahead and take a vote on Commissioner King's motion at this time, with the understanding that we have two draft documents out there and taking it into -- keeping in mind staff who have been working on this,

rdh-42

keeping in mind some of the discussions, so that perhaps you could continue to have this be a work-in-progress prior to May 5? Commissioner Gaw.

Attachment A

COMMISSIONER GAW: Just a follow-up of clarification.

PRESIDENT BODE: Yes.

COMMISSIONER GAW: Is the motion generally that this is to give a signal from the group that they're headed in the right direction, where the group is going in the right direction, that what we've seen so far, as a matter of general principles, it appears to be the right direction, but that it is a working document that we're going to continue to see move and change?

TREASURER KING: Absolutely. A step at a time because we're not going to do it all at once.

PRESIDENT BODE: Does that respond to your question?

COMMISSIONER GAW: Yes, I just wanted to -- yes, just for point of clarification.

PRESIDENT BODE: Thank you.

COMMISSIONER GAW: Thank you, Madam President.

PRESIDENT BODE: Okay. Is there any more discussion on the motion? Any other comments from the private sector? Anyone else? Board members?

rdh-43

If not, if there's no further discussion, then let's take a vote on Commissioner King's motion. All in favor aye.

AUDIENCE: Aye.

PRESIDENT BODE: Any opposed? If not, it does pass. And I wanted to go back to -- I had a side bar conversation here with Commissioner Hochstetter, and I wanted to go back to the Cost Benefit Study. Just with regard to the action that might need to be taken by the RSC, if in fact the

Attachment A

SPP Board does approve an advance and that we do become, as we recommend the contracted party for this study, I think it might be appropriate to consider a motion by the RSC Board at this point that would allow Nick to take our recommendation to his Board. So if we could do that, recognize Commissioner Hochstetter for the motion.

VICE-PRESIDENT HOCHSTETTER: Thank you, Madam President. I would like to move that the Board of the Regional State Committee have the authority to approve what the final version of the RFP for the Cost Benefit Analysis consultant would look like, that the Board would have to sign-off on the final version of it, and that that would be the RFP that will be used to send out to prospective consultants for the SPP RT0 Cost Benefit Analysis.

TREASURER KING: I would second that.

PRESIDENT BODE: It's been moved and seconded. Is

rdh-44

there any discussion on that motion? If not, all in favor aye.

AUDIENCE: Aye.

PRESIDENT BODE: Any opposed? If not, that motion carries.

I think we've covered the two issues that we having dealing with prior to our formation, and I think that moves us to any other RSC policy issues, any new starts or new business that any of the Commissioners might want to raise with us, or if Nick have any ideas or discussion or any questions he might have of us, that we might raise right now we'd be pleased to entertain any of those. Any new starts or is this enough? Okay.

Well, the other issue is -- excuse me.

MR. BROWN: I really didn't have anything new, but

Attachment A

I did lean over to Al earlier and said that we've got a hard track to follow tomorrow with the covering of business that has been accomplished in the last hour. We're impressed.

PRESIDENT BODE: Thank you very much.

I think the second issue, if we don't have any other policy issues that we need to discuss right now, is we do have some other administrative issues and assignments. I think we've made the new Treasurer and new Secretary's jobs. We've outlined those administrative issues. I think we may want to at this point though discuss how we want to continue

rdh-45

interaction, since we have been informally interacting on a weekly basis on that conference call. I think it would be appropriate for us to discuss how we want to continue -- whether we want to continue those weekly conference calls on Wednesday.

Second, in terms of conference call meetings, it may be that we want to have a regular schedule of conference call meetings, that in fact we could get together and propose that, and then have a conference call meeting setup, rather than having us have to get together in person. I know our Bylaws do allow for that, and I think that might be a better way of us addressing some of these issues, like the cost benefit RFP and other issues that might come up. But I'd like to know the will of the RSC on how we deal with some of these administrative issues of getting together, providing approvals and moving forward on these policy issues. Are there any comments or suggestions or ideas on that?

VICE-PRESIDENT HOCHSTETTER: I have just a question, Madam President. How often do you all do it?

Attachment A

COMMISSIONER GAW: Generally, we have a minimum of one telephone conference meeting a month. It has been the case, because MISO is set up a little differently, there are participants directly on the advisory staff by the states themselves, by three state members, that we have tried to back

rdh-46

up just before the advisory meeting of MISO to the week before. But with the tariff filings and other things that have gone on, we have had more meetings than that depending upon what the situation is. And so I think a lot of it is about how often do you, at a minimum, want to have a meeting; and then a lot of it on top of that is how many meetings do you need because of what's going on around us?

PRESIDENT BODE: Right.

COMMISSIONER GAW: So I think that's going to be something that's probably going to have to be flexible, depending on what you all do. But it seems to me like that when the work groups are highly engaged and if they need to report something back to us and get action from the Board on it, that we're going to have to meet more often than something like once a month, obviously.

PRESIDENT BODE: Okay.

COMMISSIONER GAW: So -- I mean if that helps.

PRESIDENT BODE: Yes, I think that's very helpful.

The other issue -- and just to kind of brainstorm about this, the other issue that occurs to me is that we have also started meeting at states kind of on an informal basis before the RSC is formed right before the SPP Board meets. Usually we come in the afternoon before and have a meeting, and then the SPP Board meeting is the next morning, and that provides us

Attachment A

rdh-47

kind of the structure for those of us who want to attend both to do both. And I think that's worked very well. So I guess I would recommend that we might go ahead and try to schedule at least -- I don't know how often and maybe we should get input from Nick as to how often they plan on meeting, and then let's factor that into a conference call meetings that we might want to have in addition to that.

MR. BROWN: Currently our Board is scheduled to meet four times a year, roughly once a quarter.

PRESIDENT BODE: Okay.

MR. BROWN: After tomorrow the next scheduled Board meeting is July 27, and then three months after that. I think that's actually on the 27th as well. I very much expect, however, based on some of the activities of our Operations Policy Committee that we will have a call teleconference meeting with the Board in mid May, and then again based on some of the actions that we discussed earlier in this meeting and potential action of our Board tomorrow, there may be for parties seemingly, i.e., that the Board will need to act on in mid May as well. So the next scheduled meeting July 27, but I do expect a teleconference meeting mid May -- mid to late May.

PRESIDENT BODE: Well, just thinking about those things, what I would probably recommend is that we definitely try to set up a scheduled RSC meeting before every SPP Board

rdh-48

meeting, so we would have four quarterly face-to-face meetings for sure, and that we might want to utilize the time that we already get together as states, which we're used to doing now, it's built into our schedules, to perhaps put in place once or

Attachment A

twice a month conference calls that are official RSC meetings, and then utilize the other times for our staff to get together and discuss the Task Force items that we have outstanding and new business. What do you all think about that idea?

COMMISSIONER MOLINE: Sounds good.

PRESIDENT BODE: All right.

SECRETARY PARSLEY: That's already all in my schedule.

PRESIDENT BODE: Are there any comments or ideas? What do you think, once a month or twice a month have it be an official RSC meeting, or if necessary, or what do you think?

VICE-PRESIDENT HOCHSTETTER: Well, because of the heightened activity schedule that we have right now, the major projects that we have underway, I think probably meeting more on will be necessary right now, as Commissioner Gaw pointed out. So my suggestion would be that at least for the next few months, that out of those Wednesday conference call meetings that we have, at least two of them, if not more, be Board meetings -- yes, ma'am, at least two a month be Board meetings that involve staff of course as well as Board decisions, and

rdh-49

perhaps the other two would only need to be informal Working Group meetings. But that at least two of them commissioners are actively engaged and involved in, would be there to take votes as the Board if necessary.

PRESIDENT BODE: Okay. I'd sure entertain a motion to establish that and then we could get out the schedule if you all so vote.

COMMISSIONER MOLINE: So vote.

VICE-PRESIDENT HOCHSTETTER: Second.

PRESIDENT BODE: Okay, moved by Commissioner Moline

Attachment A

and seconded by Commissioner Hochstetter. If the motion, as I understand it, is that we will setup Board meetings for the RSC on the day before each one of the quarterly SPP Board meetings, and second, that we would, for the near future, establish the Wednesday conference call that has been regularly the state conference call twice a month to be chosen -- depending on when we can get the RSC Board together twice a month, we would have those be officially scheduled and noticed RSC meetings. And of course, the RSC meetings I think we have decided to post them just as an addendum -- to post our meetings on the SPP web site. And my understanding is that the SPP web site actually will have a separate section for the RSC to post information notices and that those will be open meetings. That's our understanding; okay. And we will make sure that that is posted

rdh-50

well before -- 24 hours in advance so that people can look at that web site.

Is there any clarification of the motion or discussion?

VICE-PRESIDENT HOCHSTETTER: Yes. I have a question as to whether or not we want to include the next official date for the SPP Board meeting? Do we want to designate one of the upcoming Wednesday meetings at this meeting to be our next official RSC meeting?

PRESIDENT BODE: Do you have a recommendation?

VICE-PRESIDENT HOCHSTETTER: It probably all depends on our Working Groups, but I would suggest that Wednesday, May 5, might be --

MR. PROCTOR: That's when the presentation is going to be made.

VICE-PRESIDENT HOCHSTETTER: Okay.

Attachment A

MR. PROCTOR: You'd probably want to do it the following one.

COMMISSIONER MOLINE: May 12?

MR. PROCTOR: Yes.

VICE-PRESIDENT HOCHSTETTER: May 12. Would that be insufficient time? I guess I'm concerned about the RSC for the Cost Benefit Analysis. We may have to choose. Madam President, we may need to just discuss this off line and then send out an official notice --

rdh-51

PRESIDENT BODE: Okay.

VICE-PRESIDENT HOCHSTETTER: -- as to when our next meeting would be. It may have to be a day other than a Wednesday for the purpose of getting information to our network representative or whatever.

PRESIDENT BODE: Okay. We have a motion as to the quarterly meetings and as to using at least two meetings a month of the regularly scheduled Wednesday call. Clearly we have the ability to setup a special RSC meeting that is noticed on the bulletin board, and we may have to do that periodically as we have issues come up where we need to have input. So with the understanding that that is the motion and it's been moved and seconded, is there any further discussion of handling it in that way? If not, all in favor say aye.

AUDIENCE: Aye.

PRESIDENT BODE: Any opposition? If not, then that motion passes and that will be the way in which we manage the meetings.

Is there any further administrative issues that any of you all can think of in terms of how we'll operate going forward that we need to get on the table right now?

Attachment A

We have Commissioner Hochstetter recognized for a report on the incorporation and tax status.

VICE-PRESIDENT HOCHSTETTER: Yes, Madam President.

rdh-52

I just wanted to report to the Board that as one of the incorporators we went ahead and filed for and received a provisional federal tax ID number for the SPP RSC that became effective April 23, and we will be receiving confirmation from the IRS within 15 days from that filing date. And that was necessary so that we could then file for our tax exempt status. Mr. Treasurer, I will get that information to you just as soon as it becomes available from the IRS for purposes of the federal tax compensation filing.

Madam President, I do need to have a motion for the filing I need to make at this time. I would like to move that the Treasurer be directed to investigate precisely what all's needed for this organization to file for tax exemption as a nonprofit organization and to begin the process for filing that exemption, and then give us a progress report at the next Board of Directors meeting.

COMMISSIONER GAW: Second.

PRESIDENT BODE: That's been moved and seconded by Commissioner Gaw. Is there any discussion? If not, all in favor say aye.

AUDIENCE: Aye.

PRESIDENT BODE: Any opposed? If not, we've just added another duty to the Treasurer. Next report you better be here, David.

rdh-53

Attachment A

TREASURER KING: I will be here. Have to be now.

PRESIDENT BODE: Okay. Commissioner Parsley.

COMMISSIONER PARSLEY: I don't know if this is a motion or just a request. I have the Arkansas Public Service Commission's letter that designates Sandy and Randy as the designates to the RSC. If any other state has a letter such as this, would it be appropriate to append it to the minutes of this meeting? I don't know if that requires a motion or not, but you could just forward it to me at the Texas Commission.

PRESIDENT BODE: And it can be late received.

SECRETARY PARSLEY: And it can be received -- right, received late. But understand we have verbally put this on the record, to the extent that everyone designates it formally as well as the alternative, just forward that letter to me.

PRESIDENT BODE: Okay. We basically did this through deliberations months ago in preparation for this. So each of us have kind of handled this issue differently. So however you have made the decision in your various states, we'll just add that to the minutes of this meeting and that will be a part of the Commission's record, if there isn't any objection. Okay?

Any other administrative or other issues we need to raise.

rdh-54

VICE-PRESIDENT HOCHSTETTER: I have one question that just occurred to me which has to do with Associate memberships which we have all talked about before. Is anyone aware of any consumers of -- Office of Consumer Counsel, public counsel, Attorney General's Office, any offices that you all are aware of in your respective states that would like to seek

Attachment A

status as Associate members of the Regional State Committee? And that might be a topic to put Madam President, on our next agenda to follow up with by the Board.

PRESIDENT BODE: Okay. I think that's a good recommendation, that we make sure that any folks that want to be Associate members do get some notice that this has been formed, and perhaps even an invitation. And we can work together to try to get that put together and make a recommendation for the next Board meeting. That's a very suggestion.

Any other suggestions or ideas? And perhaps we could ask at this point if you could forward -- if you could forward to me the list of anyone in your state that you think might be appropriate for Associate membership at e-mail address or a street address. We could put out a notice to them that this has been formed and invite them to be a member.

With regard to the Web site, I think it might be appropriate. I think that Nick has had Stacy Duncan on his

rdh-55

staff working with our staff to try to get the Web site up and running for us, and I think we have a couple of things that as a result of this meeting might be appropriate to post. Our Bylaws, notice. I don't know if we want to post our minutes to the Web site, any of the things that we choose to. Are we ready to go on that Nick or Stacy,

MS. DUNCAN: We will be right up after we get back to Little Rock.

PRESIDENT BODE: Okay. Thank you very much. So you all can look forward to hearing and seeing our scoop on the Web site, and we will use that as our official way of

Attachment A

communicating with all the parties of interest, although we'll probably continue to have our little e-mail exploder list that we use for each other.

Is there any other item that we need to cover before we close this meeting? Commissioner King.

TREASURER KING: Chairman, as Treasurer, could I make a motion that we have all the officers should be signatures to whatever account we set up, and that there be at least two signatures of the officers, because we'll have this money coming in and we'll have to make a deposit.

PRESIDENT BODE: I believe the dispersement of money may be covered in the Bylaws. We can pause just a moment and let us look here and see. Kelli, you were at work on the

rdh-56

Bylaws, can you recall the way in which we managed the dispersement?

MR. PETERS: It's Article 9, paragraph 4. It says in all cases two signatures shall be required.

PRESIDENT BODE: Okay.

COMMISSIONER MOLINE: President and Vice-President and one other officer.

PRESIDENT BODE: Okay.

TREASURER KING: That that takes care of it.

PRESIDENT BODE: So I think that addresses your concern. I'm glad we have Commissioner Moline here, who has read the bylaw in great detail. Thanks for keeping us honest. Is there any other comments?

PRESIDENT BODE: Yes, Commissioner Moline.

COMMISSIONER MOLINE: Do I understand it that we should plan a face-to-face meeting on July 27?

MR. BROWN: 26.

Attachment A

COMMISSIONER MOLINE: 26? Do we know where that is?

MR. BROWN: I think that's Kansas City. It is Kansas City.

PRESIDENT BODE: Okay, the 26th would be a Monday in Kansas City.

COMMISSIONER MOLINE: Thank you.

rdh-57

PRESIDENT BODE: Okay. And is two o'clock, does that work well for everyone else, which is the time that we scheduled this might go for? Okay? There's a nodding of heads for those on the telephone who can't see the nodding of the heads. So I would assume that we will try to plan the meeting for two o'clock, and we'll get out all the dates and post those on the Web site of the SPP Board meetings so we'll know exactly when those new meetings will be. And as soon as we get together off line, we will post the first conference call meeting date to correspond with reviewing the RFP.

Is there any further business? If not, then the next face-to-face RSC Board meeting will be on July 26, on Monday in Kansas City at two o'clock, and then we will have a series of conference calls posted on the web site. So I would entertain a motion to adjourn.

COMMISSIONER GAW: So moved.

PRESIDENT BODE: Second.

VICE-PRESIDENT HOCHSTETTER: Second.

PRESIDENT BODE: It's been moved and second. All in favor?

AUDIENCE: Aye.

PRESIDENT BODE: All posed. If not, the meeting's

adjourned.

rdh-58

(END OF MEETING)

rdh-

STATE OF OKLAHOMA)
)
COUNTY OF OKLAHOMA) ss.

C E R T I F I C A T E
- - - - -

I, Ri ta D. Hej ny, a Certi fied Shorthand Reporter, in and for the State of Okl ahoma, do hereby certi fy that the above and foregoi ng is a true, correct and complete transcript to the best of my abi lity in the above meeti ng held on Apri l 26, 2004.

IN WITNESS WHEREOF, I have hereunto set my hand and affi xed my signature at my offi ce in Okl ahoma Ci ty, Okl ahoma County, Okl ahoma, thi s 12th day of May, 2004.

Ri ta D. Hej ny, C. S. R.
OFFI CI AL COURT REPORTER

TRANSMISSION EXPANSION COST ALLOCATION PRINCIPLES

The Cost Allocation Working Group has developed the following draft principles to address the cost allocation of SPP transmission system expansion costs. The principles seek to address such goals as equity among transmission customers, economic efficiency, and enhancement of competition in wholesale generation markets. However, the working group recognizes that there are trade offs among these various goals that must be resolved as the principles and cost allocation protocols are more fully developed.

Principle 1 (Equity): The cost allocation policy should reflect the classic principles of “cost causers should be cost bearers” and “he who benefits should pay.”

This beneficiaries pay approach to cost allocation requires a determination of the benefits accruing to each transmission customer from the transmission expansion. When the transmission expansion results from a request or need for transmission service, the transmission customer receiving transmission service is both the cost causer and the beneficiary. This beneficiaries pay approach is summarized in the above principle on equity.¹ The difficult part of the beneficiaries pay approach is in matching costs caused with benefits received. Typically, flow-based methods are used to match the costs to the beneficiaries of a transmission expansion. Flow-based methods take into account flows onto all transmission within the SPP footprint and are not limited to allocating costs based on a geographically defined pricing zone.

Principle 2 (Equity): The cost allocation of a transmission expansion to meet a request or need for transmission service should not result in the cost causers being required to pay for more than is received in transmission benefits.

Transmission expansion can be lumpy. Thus, an upgrade resulting from a request or need for transmission service may result in more transmission capability being made available than what was requested or needed. In these cases, Principle 2 states that those receiving transmission service from the expansion should not be required to pay for the excess for which they received

¹ This principle was adopted by the Organization of Midwest ISO States (OMS) for pricing of transmission expansion.

no transmission benefits. However, it is important to keep in mind that requests or needs can incorporate load growth that could provide future transmission benefits. By implication, the excess capacity created is available to anyone and so should be paid for by everyone until absorbed by load.

Principle 3 (Equity): The cost allocation policy for transmission expansion, transmission access pricing and transmission service allocation (whether physical or financial) should, when combined, reflect the principle that there are no “free riders” and that similar transmission service is allocated and priced indiscriminately.

While principle 1 and 2 deal with transmission expansion, for transmission service to be allocated and priced equitably, charges and allocation of the current transmission system should also be considered for the following reason. In essence, transmission owners have contributed the use of their transmission systems to the SPP region in order to allow wholesale transactions to take place at a single transmission rate. While the transmission owners wholesale customers will no longer be faced with multiple (“pancaked”) transmission access tariffs, transmission owners that have shared their available contributed transmission capacity with other RTO customers, will no longer receive revenues from these customers to offset their existing costs. If the charge for transmission reservations within a zone is based only on the cost of transmission facilities within the zone, those within any zone that has more reservations outside the zone than similar outside reservations within the zone, will essentially have a “free ride” on the transmission systems of other transmission owners.² While the first two principles assure that transmission expansion costs are borne by those receiving the benefits, this principle is to assure that the costs and access of the existing system is equally borne by those receiving the benefits.

Principle 4 (Efficiency): The cost allocation policy should send appropriate signals to generators to efficiently locate their plants on the grid.

² The problem with zonal pricing is that it makes no attempt at determining the impact of loop flows onto other transmission owner’s systems and therefore violates the first principle.

While Principle 1 addresses what rate analysts call “equity,” when talking about new transmission, the beneficiaries pay approach also addresses a second principle.³ Specifically, if the need for transmission service causes transmission to be built, and the policy is to allocate that incremental cost to the transmission customer wanting transmission service from generation resources located throughout the SPP footprint, then transmission upgrades required for generation source located more distant from the transmission customer’s load destination will generally require the transmission customer to pay a higher cost than it would for generation located closer to its load. Thus, in a beneficiaries pay approach to cost allocation, transmission customers receive appropriate price signals regarding where to locate supply resources that they wish to designate as network resources.⁴

Principle 5 (Competitive Supply): The cost allocation policy should encourage competitive supply of electricity in wholesale markets for generation.

There is a potential downside to the beneficiaries pay approach to allocating the cost of new transmission. Cost allocations that incorporate distance or location tend to give generators located close to load centers an advantage in the competitive supply of load. Thus, for example, municipal utilities that acquire a significant amount of power in the wholesale markets, would likely see their choices for competitive supply become more limited by a beneficiaries pay approach to cost allocation.⁵ When distinct suppliers of competitive generation tend to be concentrated in separate locations, then the cost allocation policy needs to incorporate this competitive supply principle along with the principles of equity and efficiency.

³ This principle was also adopted by the OMS for pricing of transmission expansion.

⁴ Designating network resources is a critical component to what is called network integration transmission service.

⁵ The elimination of pancaked transmission rates is based on this principle of encouraging competition in wholesale generation markets.

Principle 6 (Reliability): Each transmission owner should fund, and recover the approved costs of, transmission projects to meet the SPP reliability standards, replace obsolete facilities, and meet growth in demand.

Utilities retain their obligation to provide safe, reliable transmission service at just and reasonable rates even as their markets evolve. By implication, the SPP transmission tariff will always need a zonal or local component, but may also include a regional component in the rates.

Principle 7 (Allocation): Transmission expansion projects resulting from the RTO's plan that are intended to provide economic benefits may be allocated to single or multiple transmission customers (and/or zones), or the entire region, based on the RTO's estimate of the distribution of benefits.

SPP has the ability, or should develop the capability, to model the effects of a transmission upgrade, or set of upgrades, and estimate the added value to each transmission owner. One example of a benefit metric would be an increase in Available Transmission Capability. If an upgrade in one zone increases ATC in other zones, the costs should be allocated. Another metric would be a reduction in nodal prices. If an upgrade in one zone reduces nodal prices in other zones, the costs should be allocated. Another metric could be an expansion in the number of generators or amount of generation a given load could access. SPP should, in consultation with the RSC, develop protocols for cost allocation based on metrics of the distribution of benefits.

Principle 8 (Voluntary Economic Upgrades): For a non reliability project, a transmission customer should be able to get a commitment from the RTO, as transmission service provider, to construct a requested project that does no harm to the network or otherwise have an adverse impact on regional transmission service, on the condition that the customer accept its allocated share of the costs.

This principle opens the door to market-based solutions, i.e., merchant transmission, because projects incremental to the SPP transmission plan may be proposed and built. Yet, even if the transmission customer requests and agrees to voluntarily fund the project, it still must be integrated into the RTO transmission plan. The customer does not have an unfettered right to

whatever project it seeks. Cost allocation should take place as with other projects, by RTO determination of the distribution of benefits.

Principle 9 (Retention of Cost Allocation Benefits): The funding party of a transmission project should retain its rights as market design evolves.

- a. While a market-based congestion management system is not in place, the transmission customer allocated some cost of a project should be entitled to the physical rights of the increased transfer capability from the project, in proportion to the customer's assigned share of the costs.
- b. When a market-based congestion management system is implemented, existing physical rights should be equitably converted to financial transmission rights (FTRs). Subsequently, a transmission customer directly assigned the costs of a transmission expansion project should receive the FTRs created by the project. The new FTRs provided to that customer should be in proportion to the project cost responsibility assigned to that customer.

April 26, 2004

All cost allocation principles associated with transmission expansion should embrace concepts and allocation methodologies that do no harm to the competitive supply, generation planning, voluntary economic upgrades and all rights and benefits associated with those upgrades and or projects. These are competitive acknowledgements and therefore they are aligned with transmission expansion and all of the benefits of maintaining a reliable transmission grid. The following transmission cost allocation principles are thus being developed to further those goals:

Principle 1 (equity): The cost allocation policy should reflect the classic principles of “cost causers should be cost bearers” and “he who benefits should pay.”

Principle 2 (equity): The cost allocation of a transmission service should not result in the cost causers being required to pay for more than is received in transmission benefits.

Principle 3 (equity): The cost allocation policy for transmission expansion, transmission access pricing and transmission service allocation (whether physical or financial) should, when combined, reflect the principle that there are no “free riders” and that similar transmission service is allocated and priced indiscriminately.

Principle 4 (reliability): Each transmission owner should fund, and recover the approved costs of , transmission projects to meet the SPP reliability standards, replace obsolete facilities, and meet growth in demand.

Principle 5 (allocation): Transmission expansion projects resulting from the RTO’s plan that are intended to provide economic benefits may be allocated to single or multiple transmission customers (and/or zones), or the entire region, based on the RTO’s estimate of the distribution of benefits.